

**THE ALABAMA PREPAID AFFORDABLE COLLEGE TUITION PROGRAM  
MEETING OF THE BOARD OF DIRECTORS  
FEBRUARY 20, 2013**

**MINUTES**

**Present:**

Treasurer Young Boozer, Chair  
Senator Roger Bedford (Exec Session Only)  
Ms. Karen Gandy  
Mr. Marc Green  
General Paul Hankins, Vice Chair  
Ms. Leigh Grogan for Dr. Mark Heinrich  
Dr. William Meehan  
Mr. Jimmy Stubbs  
Mr. Mark Sullivan

**Absent:**

Dr. Marquita Davis  
Dr. Greg Fitch  
Representative Craig Ford  
Dr. Richard Huckaby  
Ms. Patti Lambert  
Ms. Gwen Webb

**Others present include:**

Ms. Daria Story, Assistant Treasurer  
Mr. Chad Wright, PACT Director  
Mr. Chad Bryan, Capell & Howard  
Mr. Barry Bryant, Dahab Associates

**Agenda Item 1.**

Pursuant to written and public notice, the quarterly meeting of the Board of Directors of the PACT Program was held in the Board Room of the RSA Headquarters on February 20, 2013. The meeting was called to order by Chair Young Boozer at 1:05 p.m.

**Agenda Item 2.**

Roll was taken with a quorum present.

**Agenda Item 3.**

Chair Boozer presented the minutes of the November 28, 2012 board meeting. A motion for approval of the minutes as presented was made by General Hankins, seconded by Dr. Meehan, with unanimous approval.

**Agenda Item 4A.**

Chair Boozer asked Mr. Chad Wright for a program report. Information was provided on program activities, cancellations, trust fund assets, and the budget. He reported that over \$42 million had been paid to various institutions for the fall 2012 term and over \$28.5 million had been paid to date for the spring 2013 term. In addition, he notified the board that invoices continued to be paid for actual tuition/fees pending final resolution of the court case regarding the proposed settlement. Remaining spring invoices paid at full tuition are expected to be approximately \$10 million. He stated that the annual financial audit by Mauldin & Jenkins began in December and would be completed soon. The report, which will be presented to the board at the next meeting, is not expected to include any negative findings.

**Agenda Item 4B.**

Chair Boozer called on Barry Bryant from Dahab to give the quarterly investment report. Mr. Bryant provided a brief overview of the economy in general and stated that market returns in the previous quarter were relatively flat for both stocks and bonds, with the only significant returns in the market coming from foreign stocks which were up 5 to 6%. Mr. Bryant then provided information on portfolio returns. He stated that the total portfolio earned 0.8% for the quarter which ranked in the 7<sup>th</sup> percentile among short term fixed income plans. He then provided information on the returns for the Longfellow and Mackay Shields portfolios. Mr. Bryant reviewed the asset allocation and reiterated that the portfolio is being reallocated from primarily intermediate term to primarily short term investments to reduce risk to the portfolio. The allocation is now approximately 50% in each, which was reduced from 75% intermediate and 25% short.

**Agenda Item 4C.**

Chair Boozer provided information on the quarterly actuarial report from Sherman Actuarial Service summarizing the funding as of 12/31/2012. He indicated that there was a slight increase in the funded ratio to 104.5% under the settlement scenario. He described the other, non-settlement scenarios and provided funded ratios ranging from 60.2% to 85.4%, explaining that differences in the funded ratios were due to differing tuition increase and cancellation assumptions for each. Chair Boozer stated that with the settlement in place, the program would be just over 100% funded and, without a settlement, the program would be significantly underfunded. General Hankins requested information on when the program is projected to run out of funding. Chair Boozer referred to that as the “point of no return” and explained it to be the point where assets in the program were equal to the amount that would be required to refund all contracts due to cancellation. He indicated that cancellations would currently total approximately \$238 million, while assets are anticipated to be \$260 million conservatively after all spring 2013 invoices have been paid. Chair Boozer explained that, if we continue to pay full tuition/fees, those figures could be equal at some point during the fall 2013 term and mentioned that the staff monitors these figures closely.

**Agenda Item 4D.**

Chair Boozer called on Chad Bryan for the legal report. Mr. Bryan stated that there was no new information to report since the last board meeting. He indicated that it has been three months since the matter was submitted to the Alabama Supreme Court on briefs. He stated that he had not received a ruling from the Court and no indication has been made as to when a ruling may be forthcoming. Mr. Bryan then stated that there were related items that he felt would be appropriate for discussion in an executive session if the board desired.

**Agenda Item 5A.**

Chair Boozer provided an overview of proposed House Bill 171 regarding the PACT program that was introduced by Representative Craig Ford. He stated that the bill addresses an attempt to fund the PACT program by turning over approximately 85% of the current PACT assets to the endowment programs of colleges and universities that would, in turn, fund the future tuition costs of PACT participants. The remaining funds would be retained by the program for payment of private and out of state tuition as well as administrative fees. Chair Boozer stated that this idea has been proposed to the colleges and universities in the past and it has been rejected each time due to the shifting of significant liability that institutions would have to assume. Chair Boozer then stated that he had contacted both Auburn University and the University of Alabama to discuss the bill and both indicated that their positions against the idea have not changed.

There being no additional informational items, Chair Boozer called for an executive session to discuss the legal options and ramifications of pending litigation. He called upon Chad Bryan, a licensed lawyer, to certify that the session was warranted, which he did.

A motion for the board to enter executive session was made by Dr. Meehan, seconded by Mr. Stubbs, with unanimous approval. Chair Boozer stated that members would reconvene after the executive session and indicated the session would last approximately 30 minutes. The executive session began at 1:20 p.m. and concluded at 1:40 p.m.

**Agenda Item 6.**

There being no further business to be discussed, a motion for adjournment was made by General Hankins, seconded by Mr. Stubbs, with unanimous approval. The meeting adjourned at 1:42 p.m.

All materials discussed are attached for reference.

---

Chad Wright, Recording Secretary

---

Young Boozer, Chair